A Research Proposal

on

CORPORATE SUSTAINABILITY AND GENDER DIVERSITY: A STUDY OF WOMEN ON BOARD OF DIRECTORS OF INDIAN COMPANIES

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Introduction

The concepts of Corporate Governance, Corporate Social Responsibility or Corporate Responsibility, Corporate Citizenship and Corporate Sustainability in business have emerged and matured over the years. Some may argue that these almost create parallel worlds. The main reasons for emergence and proliferation of each concept can be attributed to the inadequacies of the existing concept's definition and scope. We can also say that although all these concepts have developed apace, but they have done so largely divorced from one another. Where there was a need for complementing there has been competition leading to superficial implementation by the corporations and the guiding principles of each of these concepts being reduced to mere words and 'box ticking' in the hands of the businesses.

Although it is not within the scope of this research to study the interrelation - similarities or differences between these concepts, such as CG and CSR or CSR and Sustainability, it is based on the assumption that good governance and CSR practices are a part of and essential for Corporate Sustainability. CG and CSR maybe called the alter-egos of sustainability, representing only one dimension of Corporate Sustainability.

Modern businesses suffer from what may be called as a 'role neurosis' (Mason and Mahony 2007). A modern day manager or director is faced with some irreconcilable objectives. At one moment he is compelled to act as a guardian of shareholders' interests and at the very next expected to act as a citizen and integrate the social and environmental responsibility of business into its strategy. His accountability, rather his interrogation at the hands of the shareholders would not end till they take a long term view of their self interest. The post-traditional concept, which addresses the corporate governance issues within the wider patterns and processes of societal and environmental governance form a basis of the study of the concept of Corporate Sustainability. Corporate Sustainability recognizes that all the actors exist in synergistic relationships. So it is not only about 'who' is involved in corporate sustainability anymore but more of 'what' is involved in corporate sustainability, which needs to be examined.

In the light of some high-profile corporate corruption cases in the history of business, be it an Enron or a Satyam, the growing acceptance for adopting voluntary sustainability reporting reiterates the initiatives by state and non-state actors to strengthen public scrutiny of the financial and non-financial conduct of businesses. The rapid growth

of sustainability reporting is an important indicator of the business community's acceptance of its social and ecological responsibility.

In November 2006, www.corporateregister.com, the most comprehensive online directory of corporate non-financial reports, listed 12709 reports from 3467 companies across 88 countries.

In today's era of globalization and a world that is interconnected, shareholders, investors, creditors, customers and other stakeholders recognize that environmental, social, and governance responsibilities of a company are integral to its performance and long-term sustainability. The economic growth and profitability of a company is also determined by how well a company integrates these concerns in its vision and culture and places them at the center of its operations. These new dimensions must be incorporated into the core decision making processes with the focus going beyond the short-term financial performance. By anticipating potentially adverse impacts on people and the environment, companies would be able to address risks – both, tangible and reputational. Business opportunities would increase opening and broadening access to markets thereby increasing shareholder value.

As a new vision of business is emerging, corporate mindset is also changing. Sustainability initiatives are finding their way and making their presence felt in the boardrooms (Grayson et al., 2008). Core values, encompassing human rights, environmental protection and anti-corruption measures are increasingly guiding the board's oversight, relationship with management, and accountability to shareholders. Board of Directors is seen as the ultimate decision making authority in a company which has significant power and influence on the strategies which in turn affect the performance of the company. In this scenario, determining the right composition of the Board becomes of critical importance. Board composition that includes gender diversity has been one of the most significant governance issues facing modern corporations (Singh et al., 2008). One reason for this is that gender diversity has been advocated as a means of improving organizational value and performance by inculcating boards with new insights, new information and new perspectives (Carter et al., 2003; Miller and Triana, 2009). In the case of meeting the sustainability challenge, new insights and fresh perspectives at the board level are likely to be important.

This study endeavors to examine the concept of sustainability in the Indian context. It also aims at understanding the state of women representation on Board of Directors of Indian companies and its implications on corporate sustainability. In

consonance with the assumption that sustainability requires a change in mindset, this research also aims at understanding the perceptions of directors about the presence and contribution of women on the Board of Directors and Corporate Sustainability.

Literature review

Sustainability

Interest and concern for sustainability has grown tremendously over the last quarter of a century. It has been a widely debated topic/issue in the academic and corporate circles. Extensive research on corporate governance, corporate social responsibility and corporate sustainability has now established that the activities of an organization impact upon the external environment including the environment and society. Therefore organizations today are accountable to a much wider audience as against the notions of accountability only towards their shareholders. Such a suggestion probably first arose in the 1970s. This was a major shift from what Milton Friedman described as "the only business of a business is to make profits" assuming the responsibility of business only towards the shareholders, to the idea of being responsible to all the stakeholders such as the employees, customers, creditors, society etc. These other stakeholders, including the society, have not just an interest in the activities of the firm but also a degree of influence over the shaping of those activities. This influence is so significant that it can be argued that the power and influence of these stakeholders is such that it amounts to quasi-ownership of the organization.

A whole new idea of social and environmental performance, responsibility and accountability of a business, as a member of society at large and as a citizen of the world, has emerged. Many researchers have argued that although big business are recognizing the need to adapt to a new social climate of community accountability, but the orientation of business to financial results is inhibiting social responsiveness. Gray et al. (1987) challenged the traditional role of accounting in reporting results and highlighted the need of a stakeholder approach to accounting which recognizes the wide stakeholder community. White (2007) goes further and argues that there is a need to rewrite the social contract between a business and its stakeholders. It defines the purpose of a corporation, in a generic but flexible statement as "to harness private interests to serve the public interest". Central to this social contract is a concern for the future which has become evident through the term sustainability.

The term ‘Sustainability’ is not free from controversies or confusions as divergent view on its meaning and scope exist. Although sustainability means different things to different people, there is still a growing awareness of the need to discuss what sustainability means in general and for a business organization in particular. The Brundtland Report (WCED, 1987) may be taken as the first organized global attempt to address the issue of sustainability. The Brundtland Commission was convened by the United Nations in 1983. The commission, created to address the growing concerns about the deterioration of environment and natural resources and its consequences on economic and social development, was the first step by United Nations to establish policies for sustainable development. The Brundtland Report also provides the most widely accepted definition of sustainability as “meeting present needs without compromising the ability of future generations to meet their own needs” (WCED, 1987). If resources are utilized in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity. Thus raw materials of an extractive nature, such as coal, iron or oil, are finite in quantity and once used are not available for future use. At some point in the future therefore alternatives will be needed to fulfill the functions currently provided by these resources. Sustainability therefore implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken, 1993) and described with input-output models of resource consumption. Relevance of discussions on sustainability at a macro level of society as a whole, or at the level of the nation state is undisputed but it is equally relevant at the micro level of the corporation. At this level, measures of sustainability would consider the rate at which resources are consumed by the organization in relation to the rate at which resources can be regenerated. Thus the paper industry, for example, has a policy of replanting trees to replace those harvested and this has the effect of retaining costs in the present rather than temporally externalizing them. Similarly motor vehicle manufacturers such as Volkswagen have a policy of making their cars almost totally recyclable. Sustainability of an organization’s operations is a function of its impacts on the world in and around it (McElroy et al., 2007). Viewing an organization as part of a wider social and economic system (Hart, 1997) implies that these effects must be taken into account, not just for the measurement of costs and value created in the present but also for the future of the business itself. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required (Aras and Crowther, 2008).

In practice organizations mostly tend to aim towards sustainability by increasing efficiency in the way in which resources are utilized. An example would be an energy efficiency programme.

In relation to corporate sustainability, confusion might also set in due to the fact that the term sustainable has been used in the management literature over the last 30 years (Reed and DeFillippi, 1990) to merely imply continuity. A purist view of sustainability implies nothing more than stasis – the ability to continue in an 'unchanged' manner or as often taken to imply 'development in a sustainable' manner (Marsden, 2000; Hart and Milstein, 2003). If sustainability is concerned with stasis, at the corporate level if development is possible without jeopardizing that stasis then this is a bonus rather than a constituent part of that sustainability (Aras and Crowther, 2008). Many researchers and organizations have viewed the terms sustainability and sustainable development as synonymous, an assumption also made for the purpose of this study.

Another assumption in the discussion on corporate sustainability is that a sustainable company will exist not merely by recognizing environmental and social issues but by integrating it fully in the strategy and operations of a company (Lacy et al., 2010). Most analysis of sustainability does not recognize financial performance as an integral part of sustainability. One problem is that the dominant assumption by researchers is based upon the incompatibility of optimizing, for a corporation, both financial performance and social/environmental performance. In other words financial performance and social/environmental performance are generally seen as being in conflict with each other. Grayson et al. (2008) have presented a vision of corporate sustainability, which places an emphasis on innovation as the means to add value, not just to the bottom line, but to the environment and society at large. Corporate sustainability is a business approach to create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments (Sustainability Asset Management – SAM Group). Aras and Crowther (2008) argue that financial performance is an essential aspect of corporate sustainability and therefore adds a further dimension to the analysis of sustainability. They have defined the four dimensions of sustainability as societal influence, environmental impact, organizational culture and finance. This approach makes a stakeholder out of everything and everybody both in the present and in the future. Sustainability therefore requires a distribution of effects – positive and negative – in a way which eliminates conflict between all of these and pays

attention to the future as well as the present. Thus a short term approach is no longer acceptable for sustainability.

Several scholars and organizations, following the definition of World Commission for Economic Development, have conceptualized sustainability as consisting of the three dimensions or interlocking principles of economic growth, environmental quality and social responsiveness (Bansal 2001, 2005; Galbreath 2011; Elkington, 1997; Wilson and Lombardi, 2001), an assumption used in this study as well.

Firms create value when they provide customers with products and services they wish to buy. According to Conner (1991), firms increase value creation through innovation in products and services, by lowering costs of inputs or by realizing efficiencies in scale and scope. However, in the process of value creation by firms, natural resource depletion, environmental degradation, and the disruption of community and worker welfare and health can be potential negative externalities imposed on society; thus, in the conceptualization of corporate sustainability, economic growth is tied intrinsically to environmental quality and social responsiveness, as these two aspects are fundamental to any sustainable economic activity (Bansal, 2001, 2005).

All firms have an environmental impact, whether in the form of lighting office facilities to the waste and emissions generated from the production process. More specifically, scholars have identified three main footprints with respect to addressing environmental quality. First, firms can control pollution through responsible waste disposal (Hart, 1995). Second, Klassen and Whybark (1999) suggest that firms can minimize greenhouse gas emissions through the innovative use of processes and technologies in the production process. Lastly, firms can engage in product stewardship by using fewer materials in producing a product and by disassembling for recycling or reuse at the end of the product lifecycle (Hart, 1995).

Firms are increasingly required to respond to social issues (Aguilera et al., 2007). Social issues are may include larger issues such as AIDS and poverty, or may be very specific to firms, such as working conditions, product safety, and equal rights.

This study also assumes that under the sustainability paradigm, firms have a responsibility to ensure economic growth which is achieved through the efforts to ensure environmental quality and social responsiveness.

Sustainability and Board Diversity

Sustainability is perhaps one of the most important management paradigms strategic decision makers need to respond to in the pursuit of competitive success today (Bansal, 2005). Bansal (2001) suggests that firms who do not respond to sustainability will 'almost certainly face extinction'. This criticality being attached to sustainability has led to extensive efforts being made towards understanding how firms respond to sustainability and integrate it in their strategy and operations. To date, research has been particularly focused on understanding why firms adopt sustainability, what are the advantages of aligning its products and processes with sustainability principles. Some results suggest that stakeholders such as customers, environmental groups and employees influence the firms' sustainability practices. Others like Bansal (2005) find that international experience, media pressure and mimicry are positively related to corporate sustainability. Both, external as well as internal drivers of sustainability have been proposed with more stress being laid on external drivers. Studies on the internal factors which have an impact on sustainability practices of companies are far less in number and present a definite gap and opportunity for more research. A number of internal factors could have an impact on or drive sustainability of a company such as the organizational culture, policies, management etc. The most important internal factors/drivers which influence sustainability are the Board of Directors, the ultimate decision making group within corporations (Hendry and Kiel, 2004). They wield substantial power and responsibility in overseeing firms, having significant influence on strategy that, in turn, affects subsequent performance (Fama and Jensen, 1983a, 1983b; Lynall et al., 2003). Therefore, determining the right composition of board members is of critical importance even in the debate on corporate sustainability.

In recent years, diversity has become one of the most important variables of study in board of director research (Kang et al., 2007). Diversity includes attributes such as race, nationality, age, and gender. Although there is the potential for tension and conflicts (Jehn, 1995), proponents argue that in group settings, such as boards of directors, diversity results in a greater variety of ideas, perspectives, knowledge, creativity and innovation, and therefore becomes a competitive advantage (Carter et al., 2003). Understanding the impact of diversity of the Board of Directors as decision making groups (Forbes and Milliken, 1999; Rindova, 1999; Robinson and Dechant, 1997), and also the impact of representation of women or gender diversity on the Board of Directors is one important area as far as sustainability is concerned. Galbreath (2011) argues that

there is a link between women on boards of directors and corporate sustainability. The difference between males and females in general and specifically in the differences in behavior, attitude, competence and skill sets of male and female directors on Boards of companies may contribute towards this. Presence of women on Boards provides new insights, new information and new perspectives which help in taking better decisions. In the case of meeting the sustainability challenge, new insights and fresh perspectives at the board level are likely to be important. Female directors bring more resources than the additional perspectives provided by their gender. They also bring a variety of occupational expertise and knowledge, advanced education, and accelerated ties to other organizations (Hillman et al., 2002). For example, the nature of sustainability requires understanding, commitment, and action not only towards economic stakeholders (shareholders, investors), but to a broad array of actors including employees, communities, suppliers and governments (Bansal, 2005) which places diverse and conflicting demands on the decision makers. Evidence suggests that women are particularly adept at problem-solving, which affords them strong skills to deal effectively with ambiguity, conflict, and uncertainty (Rosener, 1995). Further, given their orientation towards supporting and maintaining relationships, the work of Biggins (1999), Hisrich and Brush (1984) and Rosener (1995) suggest that women better represent the needs of all stakeholders than men. Women on boards have been expected to engage in and build better relations with stakeholders because of their greater focus on the needs of others, positioning firms not only to better understand the social demands of their constituent base, but also to avoid costly missteps with strategic decisions regarding sustainability. Because of their relational abilities, women on boards are more likely able to engage with multiple stakeholders and respond to their needs, resulting in an avenue for demonstrating social responsiveness (Galbreath 2011). Evidence also suggests that women may have a better understanding of consumer behavior, the needs of customers, and opportunities for companies in meeting those needs (Brennan and McCafferty, 1997). As customers are a major stakeholder of any firm (Clarkson, 1995), women board members are expected to influence the social dimension of sustainability.

Another diversity argument for women on corporate boards is that they exert a positive impact on tasks of qualitative nature, such as strategic and CSR controls (Rosener, 1990; Bear et al., 2010). One criticism of men is that they focus on money and quantifiable issues and less on the human and social aspects of business (Huse and Solberg, 2006). Women board members may contribute to board effectiveness and may

have particular contributions to CSR controls and strategic controls (Huse et al 2009). As women are more socially oriented than men, they have a tendency to broaden the discussions, sometime due to their questioning attitude, on strategic and CSR control issues. Their presence increases the openness and quality of the discussions in the boardroom. A call for more women on boards has been a rallying cry for many years in industrialized countries. Public sentiment calls for organizations to reflect the population served, a call that has put pressure on corporations to add women to their boards. Although, legitimacy provides one theoretical rationale for having women directors, if legitimacy was the only benefit, firms could hastily add any female in order to gain legitimacy. Findings of Kesner (1988), Bilmoria and Piderit (1994) assert that women are not just token board members, but are commonly placed on important board committees, indicating that while legitimacy may be an important issue, it is not the only rationale behind the selection of women directors. Still there are other studies which assert the women are underrepresented as chairs of the compensation, audit, and nominating committees, which are among the most influential board positions (Rhode and Packel, 2010).

There has been increasing pressure from both society (Grosser and Moon, 2005) and investors to appoint women directors on corporate boards. The economic crisis seems to have acted as a catalyst for perceptive corporate leaders also to speak out on the need for greater female participation at the top. As a result, the number of women in top management and board positions has slowly increased over the last decade (Singh and Vinnicombe, 2004) but the presence of women on boards is still not noticeable. These arguments have nothing to do with being nice to women – they're about ensuring sustainable economic growth and long-term business success (Maitland, 2009). Women have been known not only to improve the quality of boardroom discussions and behaviors but their presence has also been associated with quantitative aspects such as performance of an organization and economic growth.

The main argument promoting women board members from a business case perspective has been that diversity is important for corporate value creation. A small but growing stream of research has examined links between women on boards and firm economic performance (e.g., Bonn, 2004; Carter et al., 2003; Rose 2007). This type of research is limited given the current climate, where economic results are no longer the sole criterion for how firms are valued in the market; environmental and social outcomes are also important criterion (Hart and Milstein, 2003).

In arguing for greater gender diversity on boards, some have suggested that women appointees would raise the confidence of investors, who expect increasing accountability, transparency, and moral duty from firms' directors (Arfken et al., 2004; Flynn and Adams, 2004). For many shareholders, there is a perception that boards who have more women appointees do a better job of ensuring that their investments are not in conflict with managerial misappropriation, while at the same time believe that more women representation on boards leads to stronger enforcement of ethical conduct (Flynn and Adams, 2004; Galbreath, 2011). Where ethical conduct is present, this may reduce transaction costs because fewer protective devices are needed if the firm has trustworthy agents and less time is spent in negotiation if initial claims are truthful (Hosmer, 1995; Galbreath, 2011). Thus, the costs of ethical conduct are less, which impacts positively on economic growth as profits are diverted from writing and enforcing contracts.

Some studies report positive relations between women board members and company performance while other studies report negative or no effects. Rose (2007) reported no relation between Tobin's Q and gender diversity on Danish boards. Daily and Dalton (2003) reported a positive impact of women on boards on company performance. Erhardt et al. (2003) report a positive association with both financial indicators – ROA and ROI, suggesting that diversity impacts overall firm performance. Galbreath (2011) has reported a positive link between women on boards and economic growth. Bear et al. (2010) have found that a positive relationship exists between women on boards and the ratings for CSR and firm reputation. Compared to firms with all-male directors, firms with at least two women on board performed better on Tobin's Q and ROA (Carter et al., 2003). According to a study of top Canadian companies, the presence of female directors was found to be associated with higher revenues (Burke, 2000).

Barriers to Gender Diversity in the Boardroom

A substantial amount of empirical data and evidence suggests that corporations can benefit by appointing more women on boards. However, at the same time, the number of women directors on boards or women on key executive positions has not witnessed a visible increase from the past years. Goldman Sachs has calculated that gender equality in the workplace could boost GDP by 9 per cent in the United States, 13 per cent in Europe and 16 per cent in Japan (Maitland, 2009). Despite these figures, the results of a census study of Women in Leadership, conducted by the Equal Opportunity for Women in the Workplace Agency (EOWA), an Australian Government agency, in 2010 shows that

women hold only 8.4 per cent of Board Directorships in ASX 200 companies compared to a figure of 8.2 per cent in 2002. The trend data shows there has been no significant change (EOWA 2010). This miniscule increase of 0.02 per cent over 8 years is a cause of concern.

Women directors appear to face barriers - including gender discrimination and stereotyping - that might restrict their appointment on boards and their ability to fully contribute to corporate strategy and oversight (Arfken et al., 2004). Women are more often perceived to be 'on the bench' rather than 'ready now' (PwC, 2008). From the perspective of career advancement as well, women are indeed facing a glass ceiling (Hillman et al., 2002). Women are also more likely then men to be appointed in precarious positions e.g. onto boards of poorly performing companies, a phenomenon described as the "glass cliff". This organizational context makes it harder for women to perform and be perceived to perform effectively. The water pipeline analogy aptly describes the situation in which many organizations find themselves with regard to a continuing loss of high potential and high performing female population which results in lost growth opportunities, high replacement costs and a potential for cultural obsolescence (PwC, 2008). Also, a large number of directors are chief executives, chief operating officers, or retired executive officers of other large corporations. This traditional path to directorships poses a significant hurdle for women who desire to join a corporate board, given historical treatment discrimination and occupational choice considerations (Bibb and Form, 1977; Judge et al., 1995). A majority of female directors do not come from the traditional career path of business executives although they do bring other important occupational resources to the boards they serve on, such as marketing, public relations, and legal expertise, as well as often being civic, community and government leaders (Hillman et al., 2002). Deeply held **stereotypes** are prevalent at the time of selection and promotion of women on key positions. For a female to be perceived as having high ability, she must have more evidence of ability than the evidence required to judge a male's ability. This theory echoes the "twice as good to be considered half as good" sentiment (Hillman et al., 2002). Another barrier is what Martha Frase-Blunt (2003) calls the "Mini-Me" syndrome. Executives seem to feel more comfortable when critical organizational roles are filled by people who are similar to the incumbent. That resemblance is often manifest in age, education, leadership style, industry experience, career trajectory and, of course, race and gender.

The results of some studies suggest that men can also limit the degree to which they favor women board member input. For example, men board members tended to accept other male members input on more technical issues, such as engineering, while discounting women director input (EOWA, 2008). This is likely to have an impact on firms' environmental quality. Issues dealing with the natural environment, such as climate change, carbon emission reductions and environmental management systems (EMS) tend to be associated with hard science, technology and technical or engineering processes (Klassen and Whybark, 1999; Mann et al., 1998). In the boardroom, men directors tend to have stronger backgrounds in technical disciplines, including science and engineering whereas women directors tend to have stronger backgrounds in non-profit and community-based organizations (Hillman et al., 2002). As a result male directors might be more comfortable accepting input from like decision makers (i.e., men), while discounting input from those (i.e., women) outside the decision-making domain. Hence women directors are not significantly associated with environmental quality. Due to their backgrounds and work experiences, sex-based biases and stereotyping might exist in boardrooms with men directors discounting input from women directors on issues relating to environmental quality (Galbreath 2011). Such differences could lead to selective perceptions with respect to sustainability issues addressed by the board.

So, even as representation of women on boards has been shown in some surveys to be on the rise, some of the most encouraging numbers on board diversity may conceal less promising trends which need to be investigated and analyzed. Much of the increase in women directors over the last decade may reflect the same individuals sitting on more boards rather than the appointment of new individuals as directors. Many commentators worry that these ― trophy directors are spread too thin to provide adequate oversight. There is also concern that the appointment of one or two token female directors will decrease pressure for continued diversity efforts (Rhode and Packel, 2010). More efforts may be required in this direction.

Norway is particularly interesting in this context and has received international attention for innovative approaches for improving gender diversity in the boardroom. Embarrassed that women held just 7.5 per cent of boardroom slots, the Norway government announced that it will require its 650 public companies to appoint women to at least 40 per cent of all board posts by 2005 (Goldsmith, 2002). In 2003, challenging the prevalence of ‘old-boys' network’ in the boardroom, Norway government enacted and enforced this law – one of the most extreme promotion of gender diversity in the

boardroom. So, since January 2008 all listed companies in Norway were required to abide by a 40 per cent quota for female directors or face dissolution (Ferreira, 2009). By the year 2008, 93 per cent of Norway's public limited companies were in compliance with the law. The rest were scrambling to appoint women to their boards. Norway's law was a big stick, but it worked. Norwegian women made up 39 per cent of the boards of directors. Before the 2003 amendment, they accounted for only 7 per cent (Janet, 2008). Spain is following suit with their quota, also 40 per cent, coming into effect from 2015, and Sweden is threatening to do the same (Ferreira, 2009). Companies must ensure that women are fairly represented at all levels, from the showroom to the boardroom (Maitland, 2009). Around the world, countries and corporations are recognizing the importance of developing and promoting female talent up to the board level but legislations to this effect may not be the only answer.

Relevance of the study

The trajectories of corporate governance and sustainability are meeting head-on and new demands are being placed on companies and their leadership. The board needs to realistically evaluate the nature and significance of the sustainability issues facing the company, as well as where sustainability needs to be considered in relation to issues such as diversity, succession planning and performance evaluation (ACCA and KPMG 2009). Although some research in India has been conducted in the past to separately examine the status of Corporate Governance and Corporate Social Responsibility in Indian companies and study their impact on firm's economic/financial performance, the concept of corporate sustainability has still not be well researched. According to a study by Karmayog (2009) of the 1000 Indian companies studied in 2008 only 509 (51 per cent) were engaged in corporate social responsibility activities and disclosures and only 21 (2 per cent) companies published a separate Sustainability Report. Another report commissioned by International Finance Corporation (IFC), India was found to have the lowest standards of environmental, social and governance (ESG) implementation amongst the five emerging market countries surveyed (IFC and Mercer, 2009). Another report by Emerging Market Disclosure (EMD, 2009) Project of Social Investment Forum (SIF), Indian companies were amongst emerging markets with the lowest disclosure on sustainability dimensions. Such few studies evaluating the status of one or the other dimension of sustainability in Indian Companies are only a comparatively recent

phenomenon. There is still dearth of studies to understand the effects of composition and role of board of directors of Indian companies on these issues. Although there has been growing increase in interest of academia, industry and governments in corporate sustainability, extensive research examining links between gender diversity on corporate boards and corporate sustainability is still lacking and inadequate (Ricart et al., 2005). Research in the area of gender diversity in companies and more specifically gender diversity on boards, which has started emerging internationally, seems still non-existent in India.

After an extensive literature review and to the best of my knowledge, no empirical research has simultaneously explored links between women on boards and the three dimensions of sustainability in India. This study aims to respond to this research gap and endeavors to make contributions in this area by examining and testing the relationship between women on boards of directors of Indian companies and their financial performance, environmental quality and social responsiveness. Also by making an effort to understand the perceptions of the different stakeholders about the presence and contribution of women on the Board of Directors and Corporate Sustainability, this study aims at opening up the 'black box' of actual board behavior and hopes to examine what happens inside these 'Corporate Cockpits' (Dearlove and Crainer, 2008) .This study aims to investigate the advantages – tangible and intangible, qualitative and quantitative or financial, of having more women on boards of directors in the context of sustainability. This may make the issue of gender diversity on corporate boards a strong case for researchers and practitioners of corporate sustainability who may possibly use the evidence from this study to improve the scenario on corporate boards.

Objectives

This study would be undertaken with the following objectives in mind:

1. To study the corporate sustainability practices followed by Indian Companies.
2. To examine the status of gender diversity on corporate boards in Indian companies.
3. To examine the relationship, if any, between women presence on BOD and the three dimensions of sustainability i.e. economic performance,

sensitivity towards societal issues and quality of environmental disclosures of a company.

4. To understand the perception of directors, men and women, about sustainability and the representation of women on boards.

Hypothesis

To study the relationship of women on BOD and the three dimensions of sustainability the following three assumptions or null hypotheses would be tested:

$H0_1$ There is no significant relationship between women on boards and the economic performance and growth dimension of sustainability.

$H0_2$ There is no significant relationship between women on boards and the sensitivity of a company towards societal issues.

$H0_3$ There is no significant relationship between women on boards and the quality of environmental disclosures of a company.

Proposed Methodology

Sample:

Different objectives of this study would be accomplished by examining different phenomena or issues through different samples.

(1) For studying the corporate sustainability practices followed by Indian Companies and examining the status of gender diversity on corporate boards in Indian companies, a sample of companies listed on BSE500 would be identified and then their reporting and disclosure practices studied over a series of years defining the period of the study. The relationship of women presence on BOD and economic performance, sensitivity towards societal issues and quality of environmental disclosures of a company would also be studied using this sample of companies.

(2) For understanding the perception of directors, male & female, about sustainability and the representation of women on boards, a survey of directors would be carried out. A sample of women and men directors on boards of listed companies would be used for this purpose.

Sources of Data and Data Collection

This study would make use of both – Primary and Secondary data for the purpose of accomplishing its objectives. Structured questionnaires would be used to gather primary data from the sample directors. Secondary data would be collected from audited Annual Reports filed with the Stock Exchanges, Sustainability Reports, company and stock exchange websites, Ministry of Corporate Affairs (MCA) website, Capital Market database 'Capitaline Plus', Directors Database and Registrar of Companies.

The type of secondary data that would be used in the study includes the information of companies listed on BSE and comprising BSE 500 companies, information of company mergers/acquisitions, liquidations, de-listing etc., information of board of directors of BSE 500 companies, information of directors, financial information such as ROE, ROA, Market value, Book value etc. Further details of the data required are discussed along with every variable explained in the next section.

Variables

(1) Economic performance / growth:

ROA, ROE and Market-to-Book Value would be used as measures of Economic performance and growth. ROE and ROA have been chosen because they reflect operating efficiency, financing choices for future growth, and how well firms are employing assets and funds invested by shareholders to generate returns. Firms which do not consistently deliver positive returns on invested capital are unlikely to be sustainable economically. Because the M/B hinges on growth prospects and the expected future performance of firms, it also represents a good proxy of economic growth. Other appropriate variables may be added for analysis.

(2) Sensitivity towards societal issues and quality of environmental disclosures:

The degree of a company's sensitivity towards societal issues and quality of environmental disclosures would be measured through an index constructed from a set of items which represent social responsiveness and environmental quality based on the Globing Reporting Initiative (GRI), UN Global Compact, IFC led Equator Principles, OECD principles, Clause 49 of Listing Requirements and other relevant guidelines.

Content analysis of annual reports would be done to measure the degree of company's sensitivity towards societal issues and quality of environmental disclosures.

(3) Gender Diversity or Women on boards:

Proportion of women on boards would be measured as the number of women relative to the total number of board members.

Data analysis

Techniques such as ANOVA, ANCOVA, Correlation, Regression, 't' test, 'Z' tests can be used for analysis.

Total assets, total sales, market capitalization used to measure firm size can be used as control variables. Additional control variables can include net profits, outsider representation on the board, board size, and industry.

Other appropriate analytical tools may also be used for proper analysis.

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